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LB 843

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 1999-2000		FY 2000-2001	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	4,375,000	(700,000)	13,215,625	(50,000)
FEDERAL FUNDS				
OTHER FUNDS	5,000		5,000	
TOTAL FUNDS	4,380,000	(700,000)	13,220,625	(50,000)

*Does not include impact on political subdivisions. See narrative for political subdivision estimates.

LB 843 amends sections of law relating to the ethanol production credit and the corn and grain sorghum excise tax ("checkoff") deposited in the Ethanol Production Incentive Cash Fund (EPIC). Current law authorizes a 20 cent per gallon ethanol production credit through December 31, 2000. Ethanol production facilities may receive the credit for sixty months and may apply the credit to a minimum of 2,000,000 gallons produced annually or a maximum of 25,000,000 gallons produced annually. The ¾ cent checkoff on corn and grain sorghum that is designated for deposit in EPIC is currently scheduled to expire on December 31, 2000.

LB 843 would allow any ethanol production facility that has reached the sixty month limit to receive a 10 cent production credit on ethanol produced through December 31, 2004 if the facility maintains an average production rate of at least 25% of its name plate design capacity. The minimum annual production level to receive the credit would be removed from statute. The corn and grain sorghum checkoff would be amended to the following:

July 1, 1995 to December 31, 1999: ¾ cent per bushel or hundredweight
January 1, 2000 to December 31, 2002: ½ cent per bushel or hundredweight
January 1, 2003 to December 31, 2004: ¼ cent per bushel or hundredweight

In the FY1999-2001 biennium, there would be a revenue loss to the EPIC fund because the checkoff would be reduced from ¾ cent to ½ cent on January 1, 2000. It is estimated that the reduction of the checkoff would result in a \$750,000 revenue loss to the EPIC fund in the FY1999-2001 biennium. Assuming a September 1, 1999 effective date, LB 843 would increase the production credit drawdown on the EPIC fund in the FY1999-2001 biennium. It is estimated that the 10 cent production credit could result in transfers of \$4,375,000 in FY99-00 and transfers of \$13,215,625 in FY00-01. Because it is estimated by the Ethanol Board that under current law the balance of the EPIC fund will not rise above \$12,700,000 after September 1999, the loss of \$750,000 in revenue and an additional \$17,590,625 in production credit transfers would overobligate the fund at the end of FY2000-01. Because production credits are given in the form of transferable, nonrefundable motor vehicle fuel tax credit certificates, an insufficient balance in EPIC would result in a revenue loss to the Highway Trust Fund.

In subsequent biennial budgets, the estimated revenue from the checkoff on corn and grain sorghum is:

FY2001-02: \$5,075,000
FY2002-03: 4,115,000
FY2003-04: 2,538,000
FY2004-05: 1,720,000

Total: 13,448,000

The Ethanol Board estimates that production credits as high as \$60,000,00 could be claimed by Nebraska ethanol facilities after the FY1999-2001 biennium. As noted above, absent other revenue sources for the EPIC fund, there would be a loss of revenue to the Highway Trust Fund.

There is no basis to disagree with the Department of Agriculture's estimate of \$5,000 in revolving fund expenses to amend the checkoff collection forms and to continue collecting the corn and grain sorghum checkoff.